Commodity prices diverged in April, with energy prices sharply higher, metals prices advancing for the first time in six months, and agricultural prices still falling. Petroleum prices rose an additional 20.5% after the 22.4% rise in March, as producers made good on their pledge to cut production. The recovery in other commodities was less certain and based more on anticipated rather than actual improvements in market fundamentals. Metals prices rose 4.2% as buyers anticipated economic recovery in Asia. However, supplies of most metals continued to pile up. For example, copper stocks on the London Metals Exchange rose to record levels. Agricultural prices fell an additional 1.7% following a 3% decline in March, as weakness continued in agricultural commodities heavily exported by crisis countries, such as sugar, rice, and beverages. Year-to-date, agricultural prices are down 10.2%.

Signs of economic recovery in East Asia and the continued rapid economic growth in the US (GDP grew 4.5% in the first quarter) have led to optimism that the worst of the commodity price declines may be over. The rise in metals prices was led by aluminum and copper – metals which would see increased demand from improved economic conditions in East Asia. However, according to commodity traders, the increase in metals prices is driven mostly by speculators who anticipate a recovery in East Asian economies.

Petroleum prices exceeded $17/bbl at end-April, a rise of 66% since mid-February. The surge in prices has been led by speculative demand and forward purchases by end-users, following OPEC’s decision to remove 2 mb/d from the market. OPEC countries complied with 85% of their agreed production cuts in April, according to the International Energy Agency. With continued producer compliance and a global recovery in demand, surplus inventories could be eliminated during the remainder of this year. However, the path of prices will depend on the strength of demand and compliance by oil producers.
Major Movers in April

**Aluminum** prices increased 8% on strong US demand and declining inventories. Production is expected to exceed demand this year, as the supply response to low prices has been small.

**Cocoa** prices fell an additional 10.4% in April, and the nearby London cocoa futures contract reached a 5-year low. Favorable weather conditions in Côte d’Ivoire, the world’s dominant producer, coupled with weak demand have contributed to the bearish market sentiment.

**Coconut oil** prices increased 18.1% and **palm kernel oil** prices (a close substitute for coconut oil) increased 17.2% in April due to reduced copra supplies from the Philippines. The reduced output was caused by El Niño and successive typhoons that damaged coconut trees. Tight supplies are expected to last throughout 1999.

**Copper** prices rose 6%, partly buoyed by expectations of mine closures in Canada and the US. However, higher prices may ease pressures to shut down higher-cost operations.

**Petroleum** prices rose 20% led by speculative demand and forward purchases by end-users, following OPEC’s decision to remove 2 mb/d from the market. Futures prices have moved into steep backwardation.

**Rice** prices fell 8.1% as import demand remained weak while exporters tried to capture available business. Last year’s major importers, Indonesia, Bangladesh, and Philippines (accounting for 40% of imports in 1998) are all expected to harvest better crops and reduce imports.

**Robusta** and **arabica coffee** prices fell 5.6% and 3.1%, respectively, in April mainly due to increased exports from Brazil and weak demand. Coffee exporters are trying to unload the rest of the 1998/99 crop while the real is still strong compared to the US dollar.

**Rubber** prices in Malaysia declined an additional 7.1% in April following a 7.3% decline in March, reaching a new low of 59.2¢/kg. The INRO was unable to intervene in the market as the purchaser of last resort, following the withdrawal notice of Thailand, the world’s dominant natural rubber producer and exporter.

**Sugar** prices fell 10.1% as surpluses piled up causing prices to fall below 5¢/lb. The International Sugar Organization estimates the sugar surplus will reach 2.5 million tons in 1999. Their previous estimate was for a 1.6 million tons surplus.

**Tea** prices at the Calcutta auctions fell almost 7% as India, the world’s largest producer, is expected to increase its harvest by 4% over last year. However, prices at the Mombasa auctions increased 3%, reflecting reports that Kenyan tea production is likely to decline by as much as 35% in 1999 due to extended drought conditions.

**US natural gas** prices rose 20% in April in response to concerns about US supply availability and higher demand from cool spring temperatures. With US gas production falling in the first quarter, strong summer demand growth, and storage injection requirements the market may tighten.

**Urea** fertilizer prices fell 12.4% to new lows, reversing a 10.9% rise last month. Purchases for northern hemisphere plantings are largely completed and adequate supplies still remain. Expected production cutbacks have not been enough to reduce stocks.
### Commodities in High Demand

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<tbody>
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### Energy Products

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### Agricultural Products

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### Beverages

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### Fats and Oils

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### Grains

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### Other Food

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### Raw Materials

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### Timber

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**Notes:**
- * indicates spot market.
- ** indicates futures market.
- USD is the currency used for prices.
## Commodity Price Data (continued)

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<tr>
<th>Non-Energy Commodities (continued)</th>
<th>Agriculture (continued)</th>
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<tr>
<td><strong>Other Raw Materials</strong></td>
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<tr>
<td>Cotton**</td>
<td>c/kg</td>
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<tr>
<td>Jute</td>
<td>$/mt</td>
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<tr>
<td>Rubber, Malaysia**</td>
<td>c/kg</td>
</tr>
<tr>
<td>Rubber, NY</td>
<td>c/kg</td>
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<tr>
<td>Rubber, Singapore</td>
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<tr>
<td>Sisal</td>
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<tr>
<td>Wool</td>
<td>c/kg</td>
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<tr>
<td><strong>Fertilizers</strong></td>
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<tr>
<td>DAP</td>
<td>$/mt</td>
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<tr>
<td>Phosphate rock**</td>
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<tr>
<td>Potassium chloride</td>
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<tr>
<td>TSP**</td>
<td>$/mt</td>
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<tr>
<td>Urea, E. Europe, bagged</td>
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<tr>
<td>Urea, E. Europe, bulk</td>
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<tr>
<td><strong>Metals and Minerals</strong></td>
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<tr>
<td>Aluminum**</td>
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<tr>
<td>Copper**</td>
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<tr>
<td>Gold</td>
<td>$/oz</td>
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<tr>
<td>Iron ore**</td>
<td>c/dmtu</td>
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<tr>
<td>Lead**</td>
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<tr>
<td>Nickel**</td>
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<tr>
<td>Silver</td>
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<td>Steel (8) index*** 1990=100</td>
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<tr>
<td>Steel-cold rolled coilsheet</td>
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<tr>
<td>Steel-hot rolled coilsheet</td>
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<tr>
<td>Steel, rebar</td>
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<td>Steel, wire rod</td>
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<tr>
<td>Tin**</td>
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<tr>
<td>Zinc**</td>
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*World Bank Commodity Price Indices for Low and Middle Income Countries (1990 = 100)*

<table>
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<tr>
<th>Commodity</th>
<th>Petroleum</th>
<th>Non-energy Commodities</th>
<th>Agriculture</th>
<th>Beverages</th>
<th>Food</th>
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</table>

*Includes the petroleum index. **Included in the non-energy index. ***Steel not included in the non-energy index.

S = U.S. dollar  c = U.S. cent  bbl = barrel  cum = cubic meter  dmtu = dry metric ton  kg = kilogram

mmbtu = million British thermal units  mt = metric ton  toz = troy ounce